

SPONSOR E-News



Welcome to the March 2007 edition of Sponsor E-News!

In this month's Sponsor E-News, we are highlighting the Saver's Tax Credit, which is designed to help your participants take advantage of additional tax savings by investing in your company's retirement plan. You'll also find some helpful hints on managing your annual testing results, as well as details about the protections we have in place to help keep your plan and participant data secure. And if you'd like to reduce some of the paper associated with distributions, you can learn more about Online Distributions.

To help convey important information to you quickly, our newsletter messages are color-coded:



Action Required: Noted in red, these messages will require action, such as a signature, by the Trustee or Fiduciary of the plan.



Legislative / Compliance Update: Noted in blue, these messages will discuss legislative or compliance-related topics.



For Your Information: Noted in green, these messages will provide you with general information covering subjects such as participant education, product and service features, and helpful tips for using the Web site.



FOR YOUR INFORMATION

Online Distributions - Reducing paper and providing flexibility

The online distribution feature can provide many benefits to both you and your participants, and can be added to your plan at no additional cost. For participants, requesting distributions online can provide a greater sense of flexibility. For plan sponsors, online distributions can make administration easier. Best of all, online distributions reduce much of the necessary paperwork for both you and your participants.



How do online distributions work?

- The participant applies online (through our Web site, www.TA-Retirement.com).
- You (the plan sponsor) receive an email notifying you of a distribution being requested.
- We also post a notification to our Message Board, reminding you of your pending distribution requests.
- After 5 business days our Plan Specialists will contact you, the Plan Sponsor, to remind you of the pending distribution.

The Online Distribution feature works best when your plan is utilizing full census and our payroll validator. The full census file provides Transamerica Retirement Services¹ with updated participant addresses, termination dates and other important information to assist us in processing

distributions. If you are not currently utilizing full census and would like to learn more, please contact Transamerica at (866) 498-4557.

If you would like to sign up for Online Distributions, please complete and sign the [Online Distribution Form](#). The form should be faxed back to us at (213) 763-9523. Transamerica will contact you once it is received, and will assist you in setting up this feature.

LEGISLATIVE / COMPLIANCE UPDATE

What's Happening in April and May



- **Deferrals in excess of the 402(g) limits** should be refunded by **April 15th** to avoid double taxation for the applicable participants. Where applicable, deferrals will be re-characterized as catch-up contributions up to the limit rather than being refunded. For 2006, the IRC section 402(g) limit was \$15,000.
- **Minimum required distributions (MRDs)** are due by **April 1st, 2007** for certain participants who attained age 70 1/2 in 2006. You will need to instruct us on whether or not we should distribute the MRDs to each participant. Before instructing us, please contact your participants to let them know about MRDs.

FOR YOUR INFORMATION

Sponsor and Participant Data - Your security is important to us

You may have seen articles in the news concerning the security and privacy of information. Here's a brief description of some of the measures that Transamerica Retirement Services has implemented to protect the privacy and security of your plan's information.

On our Web site, www.TA-Retirement.com, we have taken the following measures:

- Participant userids and passwords are self-selected after the participant has matched up three identifiers provided to us in the census data submitted by you, the Plan Sponsor. The participant initially is required to use their Social Security Number, Date of Birth and Zip Code and then is required to self-select a new ID and password.
- Our login page and all pages behind your login are secured by SSL (Secure Sockets Layer), a protocol that creates a secure connection between a client and a server, so that data can be sent securely. Participant passwords and financial transactions are encrypted at all times while in transmission to Transamerica Retirement Services.
- Participant statements, transfer confirmations, enrollment and other system-generated output do not disclose full social security numbers, to help protect your participants' privacy.



To help keep your plan's distributions secure:

- Plan sponsors can choose online distributions as a feature for their plan, or can opt out if they prefer paper-based distribution systems.
- For plans with the online distributions feature, even though participants can request distributions online, we don't transfer funds electronically. Distributions are made only by check, mailed in an amount and to an address approved by you, the Plan Sponsor.
- As a further protection, only the participant's name can be used as the payee on the check.

Our Privacy Policy is designed to ensure the privacy of all personal, non-public data that we require in order to transact business on a daily basis. We proactively send our Privacy Policy to all plan sponsors and participants on an annual basis.

You can also view our Privacy Policy at any time on www.TA-Retirement.com:

- Login using your user ID and password
- At the bottom of the screen, select the link (in gray) referenced as "Privacy Policy."



Managing Your Annual Testing Results

If your plan is a calendar-year plan, you may have received your required annual nondiscrimination testing results within the past few weeks.

If your plan passed the Annual Deferral Percentage (ADP)/Actual Contribution Percentage (ACP) test(s), congratulations! If your plan failed the ADP/ACP test(s), managing your testing results can require some decisions on your part. You may have funding concerns to weigh, as well as taxation implications for your plan and participants. You may also want to review plan design considerations in order to more efficiently manage your retirement plan going forward.



If your plan requires action, you may want to consider one of these corrective methods:

- Refunds of elective deferrals or matching contributions to Highly Compensated Employees (HCEs)
- Making a Qualified Non-Elective Contribution (QNEC) or Qualified Matching Contribution (QMAC) to Non-Highly Compensated Employees (NHCEs)

Some things that you may want to consider in improving your plan's testing include:

- Converting to a Safe Harbor plan design for 2008 and later plan years
 - Adding Automatic Enrollment for the 2007 plan year and/or for later years
 - Providing additional educational materials and support to your participants to improve plan participation
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Saver's Tax Credit - An Incentive for employees to participate

Introducing the tax credit advantage to your eligible employees may serve as an incentive for them to participate in the plan. Eligible employees may take advantage of the Saver's Tax Credit, which was passed under EGTRRA legislation in 2001. This credit is available to employees if they:

- Are 18 or older
- Are not a full-time student
- Are not claimed as a dependent on someone else's return, and
- Have adjusted gross income that does not exceed
 - \$50,000 if married filing jointly
 - \$37,500 if head of household with a qualifying person, or
 - \$25,000 if single or married filing separately



The maximum credit to an individual is 50% of the amount contributed up to a maximum of \$2,000. If the individual is married filing jointly, the maximum credit is 50% of the amount contributed by each individual up to a maximum of \$2,000 each (i.e., \$4,000 for employee and spouse).

Credit Rates

If your income tax filing status is "married filing joint return" and your adjusted gross income is:	Your saver's credit rate is:
\$0 - \$30,000	50% of contribution
\$30,001 - \$32,500	20% of contribution
\$32,501 - \$50,000	10% of contribution
Over \$50,000	Credit not available

If your income tax filing status is "head of household" and your adjusted gross income is:	Your saver's credit rate is:
\$0-\$22,500	50% of contribution
\$22,501- \$24,375	20% of contribution
\$24,376- \$37,500	10% of contribution
Over \$37,500	Credit not available

If your income tax filing status is "single," "married filing separate return," or "qualifying widow(er)" and your adjusted gross income is:	Your saver's credit rate is:
\$0 - \$15,000	50% of contribution
\$15,001 - \$16,250	20% of contribution
\$16,251 - \$25,000	10% of contribution
Over \$25,000	Credit not available

Example: Mark is single and his adjusted gross income for 2006 is \$25,000. He defers 6% of his pay, or \$1,500, into his employer's 401(k) plan. His tax credit is 10% of \$1,500, or \$150. Not only did Mark save \$1,500 on a tax-deferred basis, but he also saved \$150 in income taxes.

Follow these simple steps to order a Tax Credit Poster or Tax Credit payroll stuffer that you may distribute to employees who qualify.

1. Login to www.TA-Retirement.com using your user ID and password
 2. In the left hand navigation, select "Plan Administration"
 3. Select "Plan Sponsor"
 4. Select "Order Kits / Supplies"
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We would like to hear your suggestions and ideas for future topics for E-News. Please let us know how we can be of service to you by replying to this e-mail, or calling Transamerica at (866) 498-4557. We look forward to hearing from you.

¹ Transamerica Retirement Services, a marketing unit of Transamerica Financial Life Insurance Company ("TFLIC"), Purchase, New York, and Transamerica Life Insurance Company ("TLIC"), Cedar Rapids, Iowa, and other TFLIC and TLIC affiliates, specializes in the promotion of retirement plan products and services. TLIC is not authorized in New York and does not do business in New York.

